

OUTLOOK

A Publication Of The South Dakota Retirement System

SPECIAL EDITION

Updated to Meet Members' Needs

New Design Simplifies Personal Benefits Statements


Your Personal Benefits Statement now offers even more information to help you prepare for retirement — in a newly redesigned planning document. This year the Personal Benefits Statement presents your retirement information in a more user-friendly format, focusing on the percentage of your income that your SDRS retirement benefit will replace.

The SDRS Personal Benefits Statement provides a comprehensive review of each member's SDRS account in a straightforward, easy-to-read

format. Your statement includes personal data such as your months of credited service, current final average compensation and estimates of your SDRS benefit, as well as estimates of the percentage of your income that your SDRS retirement benefit will replace.

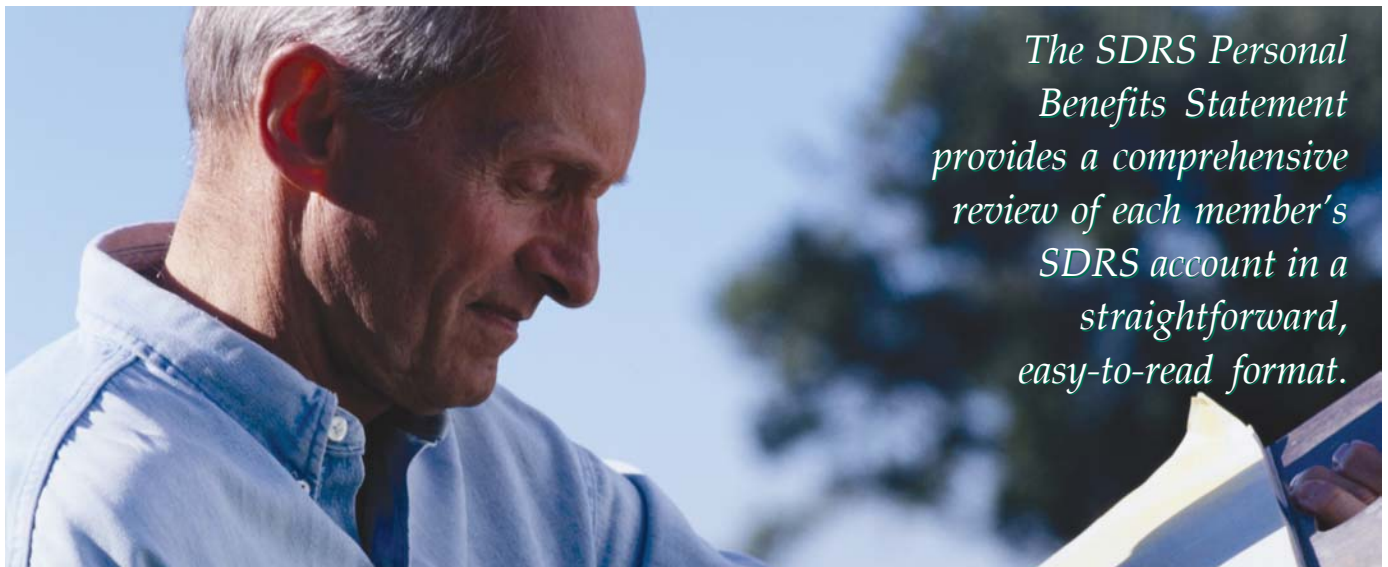
"A member's Personal Benefits Statement is a valuable resource for personal financial planning," says Corinne Koch, SDRS retirement benefits manager. "We encourage all members to save their annual statements to use when calculating retirement

income and making decisions about retirement savings."

Statements are mailed to members in late summer, following the close of each fiscal year. If you need another copy, or are curious about the effect of additional credited service or different retirement ages on the size of your benefit, call SDRS at (605) 773-3731 or toll-free at 1-888-605-SDRS, or visit the SDRS Web site at www.sdrs.sd.gov. 



1-888-605-SDRS



The SDRS Personal Benefits Statement provides a comprehensive review of each member's SDRS account in a straightforward, easy-to-read format.

Reading Your Personal Benefits Statement

The new design of your SDRS Personal Benefits Statement provides individual information essential for retirement planning and explains key plan features

in a clear, concise format.

Income replacement percentages and benefit estimates in your SDRS statement assume your salary increasing at an annual rate of

3 percent and SDRS employment continuing until retirement; should these circumstances change, your benefit may change, too.

Using your SDRS statement

First page of the Personal Benefits Statement



Personal Benefits Statement

As of June 30, 2006

South Dakota Retirement System

This statement is prepared especially for:

This statement is designed to provide you with an estimate of your SDRS retirement benefit when you reach normal retirement age and when you qualify for special early retirement. Please review this information carefully and contact us if you have any questions at (605) 773-3731 or toll-free at (888) 605-SDRS.

Member Information

SDRS ID Number	Date of Birth	Normal Retirement Date	Special Early Retirement Date	Current Final Average Compensation
1		2	3	4

Calculations based on normal and special early retirement dates assume all outstanding purchases have been completed. Special early retirement relates to the Rule of 85 for Class A members, the Rule of 80 for Class B-Judicial members, and the Rule of 75 for Class B-Public Safety members.

Your Months of Credited Service

Service	Non-Contributory	Contributory	Currently Purchased	Redeposited	Total
Class A	6	7	8	9	
Class B					

1 Your SDRS Income Replacement Percentage

Your income replacement percentage assumes continued membership in SDRS until your normal retirement and special early retirement ages.

Income Replacement Percentage

At Normal Retirement Age	2	At Special Early Retirement Age	3
Income Percentage Replaced by SDRS:		Income Percentage Replaced by SDRS:	

For retirement planning purposes, it is important to note that you will need 70 to 85 percent of your final compensation to maintain the same standard of living after retiring that you had while working. Your total income replacement percentage should consider your SDRS retirement benefit, Social Security benefit, and personal savings and/or other income. SDRS cannot calculate Social Security benefits; therefore, we urge you to contact the Social Security Administration at (800) 772-1213 or www.socialsecurity.gov for more specific information about your Social Security benefit.

Please save your Social Security Statement! Every year the Social Security Administration sends a Social Security Statement to you about three months before your birthday. As you begin the retirement process, this statement may be needed to correctly calculate your SDRS retirement benefit. Please safeguard your Social Security Statement.

1

SDRS ID: A unique seven-digit number assigned to each SDRS member and used instead of Social Security numbers in SDRS records. Your ID number, appearing here on your benefits statement, may also be obtained through the My SDRS section of the SDRS Web site (www.sdrs.sd.gov), or by calling SDRS at (605) 773-3731 or toll-free at 1-888-605-SDRS.

2

Normal retirement: The age (65 for Class A and Class B Judicial members and 55 for Class B Public Safety members) at which you can retire with a full SDRS benefit, provided you have at least three years of contributory service.

3

Special early retirement: The age at which you become eligible to receive a full benefit when specific combinations of age and credited service are met. Special early retirement relates to the Rule of 85 for Class A members, the Rule of 80 for Class B Judicial members and the Rule of 75 for Class B Public Safety members. For an explanation of eligibility requirements, see the section on special early retirement on page 13 of your SDRS membership brochure.

4

Current final average compensation: Highest average annual salary earned during 12 consecutive calendar quarters in the last 40 quarters of your SDRS employment. This figure is used to calculate any SDRS benefit, including retirement, disability and survivor benefits.

5

Credited service: The total months of service used to calculate a member's benefit.

6


Non-contributory service: Time of service without member or employer contributions but which according to law counts as credited service.

Reading Your Personal Benefits Statement

and other financial documents, such as your Social Security statement, you can calculate the probable amount of your retirement income. Usually 70 to 85 percent of current

income is needed in retirement.

Getting the most out of your annual statement means understanding some key SDRS terms, such as those defined on the following pages. If you

have questions about your statement or need more information, contact SDRS at (605) 773-3731 or toll-free at 1-888-605-SDRS, or visit the SDRS Web site at www.sdrs.sd.gov. 

7

Contributory service: The period of time you work for an SDRS employer and make contributions to SDRS. Three years of contributory service is required to be eligible for most SDRS benefits.

8

Purchased service: Additional credited service bought by contributing SDRS members for prior part-time or full-time public service employment for which retirement benefits are unavailable, such as part-time active military duty or qualifying service in another state. Purchased service is included in calculating a member's SDRS retirement benefit.

9

Redeposited: Contributions that a member may choose to repay when, after having terminated employment and taken a refund from SDRS, he or she returns to SDRS-eligible employment. Redepositing withdrawn contributions reinstates the credited service earned during the earlier employment period, a factor in calculating retirement benefits.

10

Projected final compensation: An estimate of the highest average annual salary, based on 3 percent annual salary growth, that you will earn during 12 consecutive calendar quarters in the last 40 quarters of your SDRS-covered employment.

11

Annual SDRS benefit amount: Twelve months of your estimated monthly SDRS benefit.

12

Monthly amount: Estimate of the monthly retirement payment you'll receive.

continued on back page...

Second page of the Personal Benefits Statement

2 Your Projected SDRS Retirement Benefits

In estimating your projected annual benefit, SDRS assumes an annual salary increase of 3% from now until your normal and special early retirement dates. Based on your projected final average compensation and your continued membership in SDRS, your projected SDRS retirement benefits are estimated below:

If your salary growth in the last year was less than 3%, your projected benefit may be less than anticipated in your prior *Personal Benefits Statements*.

Projected SDRS Retirement Benefits

At Normal Retirement Date	At Special Early Retirement Date
Projected Final Compensation: 10	Projected Final Compensation: 10
Annual SDRS Benefit Amount: 11	Annual SDRS Benefit Amount: 11
Monthly Amount: 12	Monthly Amount: 12

3 Lifetime Value of Your Retirement Benefits

Your SDRS retirement benefit may be your greatest financial asset. The lifetime value of your SDRS benefit is far greater than simply the amount of your refund; at retirement SDRS will pay you every month for as long as you live. To help explain this value, we have taken your estimated retirement benefit as shown above and projected the total value of all your monthly benefit payments, including annual cost-of-living allowances (3.1%), for your approximate life expectancy. This total represents the cumulative projected value of your investment in SDRS.

Lifetime Value of Normal Retirement Benefit	Lifetime Value of Special Early Retirement Benefit
13	13

It is essential to note that the South Dakota Retirement System is a defined benefit plan. The amount of your benefit is calculated based on your credited years of service and your final average compensation. It is not based on the amount of your contributions and/or interest credited to your account.

4 Refund (As of June 30, 2006)

A refund is a lump-sum payment of your account balance plus interest. It is only available if you terminate employment. For most members, the SDRS retirement benefit payments will have a greater value than the refund amount. If you have three or more years of contributory SDRS service, you are considered vested. By taking a refund, you make an irrevocable decision to forfeit your guaranteed lifetime SDRS retirement benefit, forfeit your spouse's guaranteed lifetime survivor benefit, and forfeit your right to share in future benefit improvements.

Refund Amount
14

5 Online Member Statements

The SDRS website (www.sdrs.sd.gov) offers you the opportunity to obtain your personal account information 24 hours a day, seven days a week. As an active member, you can visit the *My SDRS* section of the site to look up your contribution totals, years of credited service, last 40 quarters of salary history and current final average compensation, and to estimate your retirement benefit. You may review your address, beneficiaries, other personal information, and your most recent *Personal Benefits Statement*.

OUTLOOK

A Publication Of The South Dakota Retirement System
SPECIAL EDITION

A Powerful Planning Resource...continued

- 13 Lifetime value of your benefit:** The total cumulative value of your estimated retirement benefit, including annual cost-of-living allowances, for your approximate life expectancy.
- 14 Refund amount:** A lump-sum payment of your account balance, including interest. It is only available if you terminate employment and forfeit all rights to an SDRS benefit.
- 15 COLA (cost of living adjustment):** An annual increase in monthly benefits to offset the effects of inflation. The SDRS COLA is 3.1 percent.
- 16 Rule of 85, Rule of 80 and Rule of 75:** Formulas for determining eligibility for special early retirement. The formulas can be found on page 13 of your SDRS membership brochure.

Back page of the Personal Benefits Statement

SDRS Message to Member

SDRS is pleased to present you with a newly revised *Personal Benefits Statement*. Based on comments received from our membership, many changes have been made to the design of this statement to provide you with more useful and more understandable information for your retirement planning.

Section 1

In addition to the statement's new look, SDRS is now focusing more attention on income replacement percentages. Your *SDRS Income Replacement Percentage* (Section 1) shows the SDRS income replacement percentage based on your projected compensation and service to normal and special early retirement ages (if applicable).

Sections 2 and 3

The calculations in *Your Projected SDRS Retirement Benefits* and the *Lifetime Value of Your Retirement Benefits* are based on a projected final average compensation assuming an annual 3.0% salary growth while employed (Section 2) and an annual 3.1% COLA after retirement (Section 3). In past years, SDRS assumed a 3.1% annual increase in your final compensation while employed.

15

Special Early Retirement (Rule of 85, Rule of 80, and Rule of 75)

The special early retirement option provides a full benefit when specific combinations of age and credited service are met. Special early retirement relates to the Rule of 85 for Class A members, the Rule of 80 for Class B-Judicial members, and the Rule of 75 for Class B-Public Safety members. Please refer to your SDRS membership brochure for details on how this benefit is determined. If you will not meet the age and service requirements of special early retirement, the special early retirement information will be marked "N/A" (not applicable).

16

Working Beyond Retirement Age

If you have already reached your special early retirement age and/or normal retirement age, your benefit estimates are shown as of the date of this statement.

No Longer Contributing to SDRS

If you are no longer employed by an SDRS participating employer, but have left your contributions with SDRS, you are considered an inactive member. Benefit estimates for inactive members assume no additional service.

If you have any questions or need additional information, please contact the South Dakota Retirement System by writing to P.O. Box 1098, Pierre, SD 57501 or by calling (605) 773-3731 or toll-free (888) 605-SDRS.



South Dakota Retirement System
P.O. Box 1098
Pierre, South Dakota 57501

PRSR STD
U.S. Postage
PAID
Permit #227
Sioux City, IA